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C O N F I D E N T I A L KUWAIT 003585

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NEA/FO FOR AMONSARRAT

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SUBJECT: KUWAIT RESPONSE: ARAB COUNTRY ASSISTANCE TO THE PALESTINIAN AUTHORITY

REF: SECSTATE 146261

Classified By: Ambassador Richard LeBaron for reason 1.4 (b)

1. (C) Ambassador met with Minister of Foreign Affairs Shaykh Dr. Mohammad Al-Sabah on August 9 and asked for reftel data on Kuwaiti aid to the Palestinian Authority. The FM promised to provide the figures, but said that any future aid would have to be taken up by the Council of Ministers. (The Minister directed us to the new Office of Economic Affairs in the Ministry, but it is not yet up and running. Our normal MFA interlocutor on Palestinian aid, Under Secretary Khalid Jarallah, is out of the country until September.)

2. (C) Kuwait Fund for Arab Economic Development (KFAED) Acting Manager of the Palestinian Authority portfolio Abdullah Al-Musaibih told Econ Officer on August 9 that the GOK provided \$25 million to the Palestinian Authority in 2000 as part of the peace process. This money was supposed to go towards health and education projects, and was given to the Arab Fund for Economic and Social Development (AFESD). No other project assistance has been provided by Kuwait to the PA in the past five years. (Note: KFAED officials have told us in the past that, under the direction of the GOK, it does not deal directly with the PA but provides aid through institutions such as the AFESD. End Note.) KFAED is primarily in the business of making soft loans, not grants, and Al-Musaibih said that the PA had recently applied for loans from KFAED. He said that KFAED staff would have to approach the Board of Directors about the loan applications, and he did not expect an answer "anytime soon." He was not aware of any projects or grants from the GOK planned to coincide with Israeli withdrawal from Gaza or the West Bank.

3. (C) According to Al-Musaibih, KFAED only handles loans and grants and does not deal with any budget assistance. He said that this would be handled directly by the GOK, and suggested contacting the Ministry of Finance. The Minister of Finance's Office Director, Ahmed Al-Quwaynum, spoke with the Minister of Finance on August 10 and told Econ Officer that, according to the Minister, all GOK aid to the PA goes through the KFAED, and to contact KFAED Director of Operations Mr. Fawzi Al-Hunaif.

4. (C) From what we can re-construct from previous email exchanges regarding Kuwait's Arab League "commitments," \$49 million was transferred to the PA before the Algiers AL Summit, bringing Kuwait's obligation to \$140 million. We have not been able to verify payments since. (Note: The PA may be a better source of current info.)

5. (SBU) Comment: The Minister of Finance, Bader Al-Humaidhi, was previously Director General of KFAED for almost twenty years and is intimately familiar with KFAED operations. Al-Hunaif is out of the country on vacation, as is KFAED Deputy Director General for Disbursement, Hisham Al-Waqayan, and the person normally responsible for the PA portfolio, Marwan Al-Ghanim. The office staff of Abdulwahab Al-Bader, the new KFAED Director General, suggested trying to get this information from him when he returns from a trip to Bahrain on August 14. Our ability to get straight answers to these questions in a timely manner is severely impacted by the absence of key officials. End Comment.

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